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United States Department of Agriculture  
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(Statement by Louis H. Bean on Station WCFM, Washington, January 7, 1949.)

WHAT ABOUT STEEL?

(The Battle with Steel Statistics)

The President's State-of-the-Union message has stimulated interest in many subjects, not the least of which is the subject of steel. It now looks as if we are going to have again, as we did a year ago, a battle with the steel industry over steel statistics. This battle is to be waged in anticipation of action by the Congress in response to the President's request for authority to make loans for expansion where private enterprise finds it does not have the resources or see the reasons for needed expansion.

If the steel industry wins this preliminary battle with the use of statistics and publicity, the real losers will be the public, for it will serve to perpetuate the present steel shortage for many years to come and keep up the prices of industrial products.

I predict that you will all read these figures over and over again in the days to come in news items, in editorials and magazines, and you will hear them over and over again on weekday and Sunday night radio programs. Here is what these figures will be. You will be told, as we are today, that in 1948 we produced a record of 88 million ingot tons of steel; that the industry now has a record capacity of 96 million tons; and that it will expand this capacity over the next two years to 98.5 million tons. You will be told how all this is happening without Government help, but you will also be told in the next breath--or on the next page--how abnormally high the present demand for steel is and how there are already signs of declining demand. You will be asked, what sense is there in expanding when business prospects are not so rosy?

This is essentially the point of view of all those who think of our economy in terms of the practical problems of the individual firm or business, without regard to the uncertainties of the next year or two. But there is another point of view and another set of figures that tell the story of steel in terms of what the Nation as a whole needs, and what it is getting, and what it costs consumers and will continue to cost, if the gap between needs and supplies is not closed by bringing up the supplies instead of cutting down on the needs.

Here then is the record of how much steel the country has used and how much more it would use, if there were no shortage.

Our per capita consumption of steel for domestic use and exports has risen persistently from around 300 pounds per person in 1900 to 650 pounds in 1910, to 950 in 1920, to 1,000 in 1929, and to 1,200 in 1940. For 1950, on the basis of this rising trend, we need 1,350 pounds or about two-thirds of a ton per person. With a population of about 150 million persons, this normal need comes to a

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total of 100 million tons or somewhat more. This is what we need if we maintain the kind of full employment that we experienced in the 1920's, and are experiencing today.

Now take the promised record capacity of 98 million tons by the end of 1950. This, in spite of its being a record figure, does not promise that supply will meet normal demand. You need to bear in mind that the industry, while now operating at full capacity, seldom operates at 100 percent capacity very long. Spokesmen for the industry say they are convinced that the industry will operate at only 75 to 80 percent of capacity in the future. This can only mean that they expect the 98 million tons in 1950 to yield only 75 to 80 million tons of actual production, and not the 100 million tons or more required for full employment. In other words, spokesmen for the industry appear to be promising us substantial unemployment at the same time that they are promising us two million tons more capacity.

Let us now take a look at the longtime record of capacity, as another way of showing that capacity now and by the end of 1950 ought to be well over 100 million tons. Up to 1940, the record is one of almost continuous expansion except for one period, and that is the period of the 1930's just before the war; when we had prolonged unemployment and unused capacity. The result was that instead of having a capacity of at least 90 million tons, it amounted to only 82 million, a shortage of nearly 10 percent. The 90 million capacity figure of 1940 would, by 1950, have become at least 110 million, possibly 115, had there not been the interruption due to the prewar depression and no curtailment in 1945. A capacity of 110 to 115 million tons in 1950 would be about in line with the growing demand of a growing population. A capacity of 110 to 115 million tons in 1950 would permit the industry to operate at about 90 percent, and provide the 100 million tons or more that prosperity conditions will then require.

It is of course possible that the industry spokesmen may be correct prophets and that demand may fall off presently. But this, from the national welfare point of view, does not warrant another halt in steel expansion, such as we had in the 1930's. For every year that we fail to expand steel capacity, we merely add two million tons to the present shortage. The important fact to bear in mind is that a greater shortage in the early 1950's than the present one would make it more difficult for unemployed people to find jobs in steel-using industries, or it would again add billions of dollars to inflation and to the cost of industrial goods, as has been the case for the past two years.

As I see it, what the President's proposal comes down to is an opportunity for the Congress to give some serious thought on how to square the points of view of reluctant and apprehensive industrialists with the growing requirements in basic resources for a growing population, an expanding economy, and a rising standard of living.

There is an answer to this basic dilemma that I'm sure statesmen will find, but it won't be seen clearly until the statistical smoke clears away!

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NOTE: The trends in per capita production and in capacity referred to above are shown in the attached charts.